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Declass Review by NGA.

D R A F T
NPIC/TDS/D-_____-67
18 October 1967

MEMORANDUM FOR THE RECORD

SUBJECT: Overrun of Project #10197, Viewgraph Maker [Contract
[redacted] and Project #10147, PI Print Enlarger
[Contract [redacted] Project 9619 and 9618
respectively).

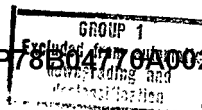
1. This memorandum presents a suggested format for a letter to
[redacted] corporate personnel requesting that they review the subject projects.

2. The Projects for the Viewgraph Maker and the PI Print Enlarger
are presently under separate contracts with the [redacted] The
[redacted] contractor predicts that both of these contracts will require about a
50% overrun to complete. The Government is seriously concerned about the
magnitude of these overruns and the fact that they were not anticipated
sooner. It is hoped that [redacted] will carefully examine its performance on
these contracts to determine if they are representative of the standards
by which [redacted] is to be judged.

3. Attached are significant historical data for each project. Comments
are included to ^{emphasize certain} present significant aspects of cited documents or events.

3. At this time, the Government can find no gross technical deficiencies
in the basic concept of the equipment being furnished under the subject
contracts; although a thorough evaluation of technical performance must of

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of course, rest on the acceptability of the delivered items. However, the target costs of the contracts have already been ~~committed~~ ^{reached} and [] estimates considerable design and engineering effort yet to be carried out. This, and comments from [] July monthly report for the PI Print Enlarger (Statement A.3. - "Redesign was effected in a number of major areas."), suggest that technical performance was open to some criticism.

4. The most disturbing aspect of [] performance rests in its inability to predict costs either before or after contract negotiations. The Government puts great trust in a contractor's ability to accurately account for past costs and to predict future costs with a reasonable degree of accuracy. [] ^{proposed to increase its ability to accept such controls and} ~~the contract was awarded relying on its intent to do so.~~ When the contractor grossly underestimates his future

efforts, he creates administrative delays that prolong the completion of the project. He may also disturb the Government's R & D budget to such an extent that other projects are jeopardized. In the two projects under discussion, [] consistently predicted via its monthly reports that the projects were in no financial difficulty. [] last monthly reports were delayed, but verbal contacts with [] project managers predicted no overruns. When [] suddenly predicted a 50% overrun on the PI Print Enlarger, the Government was immediately concerned about the financial status of the Viewgraph Maker. However, two [] personnel reported that the latter project would not have an overrun. Within two weeks, this statement was contradicted by the same personnel and a 50% overrun was estimated.

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X1 6 [] submitted independent proposals for the PI Print Enlarger
 and for the Viewgraph Maker. The contracts were negotiated and signed
 X1 at different times. [] should have estimated its target costs on the
 basis that only one contract would be signed. Since both contracts were
 let, and since both projects had considerable common technology, design,
 X1 and even component parts, [] should have been in a position to exploit
 these commonalities to the financial benefit of itself and the Government.

X1 6 X ^{the Director concerned} [] has informed the Government's Contracting Officer ^a that it
 will not accept its estimated total costs to complete the projects as a
 ceiling price. Therefore, the Government is confronted with an uncertain
 total cost for either project and cannot assess the cost effectiveness of
 the equipment.

X1 7-8 Due to the magnitude of the estimated overruns and because of
 [] uncertainty of these overruns, the Government ^{could decide} ~~may be forced~~ to
 terminate these contracts. This would mean that the Government would
 have spent a considerable amount of money and received virtually nothing
 for it. The Government ^{should} request that [] review both projects and suggest
 any alternative courses of action that would be of more advantage to the
 X1 Government and []

[]
 Support Systems Branch, DS/TDS

Attachments:

Historical Data for Project #10197, Viewgraph Maker
 Historical Data for Project #10147, PI Print Enlarger

Distribution:

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